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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001653

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STATE FOR SCA/CEN, EEB

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ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: DECL: 12/29/2018

TAGS: EPET ECON PGOV TX

SUBJECT: TURKMENGAS WILL RELY ON SERVICES COMPANIES TO DEVELOP NEW FIELDS

REF: A. ASHGABAT 1324

B. ASHGABAT 1644

Classified By: Charge Richard Miles per reasons 1.4 (B) and (D).

¶1. (C) SUMMARY: According to the Chairman of Turkmengas, the company will rely on foreign oilfield services companies for the development of Turkmenistan's major gas deposits. He suggested that negotiations with such firms are ongoing, but would not share details. Concerning possible involvement by IOCs, he deferred to the State Hydrocarbons Agency. The Chairman was vague about the source for an additional 30 bcm of gas to be delivered to China beginning next year. Foreign companies working in Turkmenistan's hydrocarbons sector will be expected to contribute to a Turkmengas training center expected to open in 2010. END SUMMARY.

¶2. (C) During a December 29 meeting with poloff, Turkmengas Chairman, Baymurad Khodjamukhamedov, listed the state gas concern's main areas of activity as follows: the drilling of wells, and the production, refining, export, and domestic distribution of natural gas. Exploration activities are conducted by another state concern, Turkmengeologiya, and after exploration is completed, Turkmengas takes over responsibility for further development of gas deposits. He cited as an example the South Yolotan and Osman gas fields (Ref A), where Turkmengas is ramping up its activities.

WILL RELY ON FOREIGN FIRMS TO MEET TECHNICAL CHALLENGES

¶3. (C) For the development of the South Yolotan field, Khodjamukhamedov acknowledged the technical challenges involved in producing the high sulphur, high pressure gas, but said Turkmengas would rely on oilfield services companies, both domestic and foreign. Turkmenneftegazstroy could be a Turkmen services provider. When pressed for Turkmengas' plans for developing the massive field, the Chairman said he could not reveal the identities of prospective services companies, including U.S-based firms, until contracts are signed. However, numerous services

companies that sent representatives to the November international oil and gas conference in Ashgabat were interested. He would not address the potential role of international oil companies in the development of South Yolotan, saying that the State Agency for Hydrocarbons deals exclusively with IOCs.

30 BCM PER YEAR TO CHINA ... FROM WHAT SOURCE?

¶ 14. (C) According to Khodjamukhamedov, Turkmenistan will export 50 billion cubic meters of gas in 2008. He declined to provide the figure for the year's total gas production. The bulk of the exported gas is shipped to Russia. He did not acknowledge any difficulty in meeting gas export commitments beginning next year when the pipeline to China will begin operation. While he mentioned that Turkmenistan had agreed to provide China with 30 bcm per year, he would not comment about how much gas would be supplied to China in 2009, nor about how much of the 30 bcm would be produced by China National Petroleum Corporation (CNPC) under the terms of its production sharing agreement. He said Turkmenistan has a "unified system" of gas delivery, meaning that production from specific fields is not earmarked for delivery to specified buyers.

¶ 15. (C) Khodjamukhamedov pointed out that significant gas production in western Turkmenistan is limited to offshore projects and foreign companies. While it is primarily the State Hydrocarbons Agency that deals with Petronas as a foreign production company, he said Turkmengas has a role

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inasmuch as it buys Petronas' gas. He added that producers such as Petronas are free to sell their gas to any buyer.

TRAINING CENTER TO TAP FOREIGN EXPERTISE

¶ 16. (C) On the subject of training for Turkmengas staff, Khodjamukhamedov said a facility is currently under construction outside Ashgabat that will serve as a unified training center for most of the company's employees. The center is scheduled to open in 2010. He explained that all foreign companies working in Turkmenistan's hydrocarbons sector will also participate as sponsors of the center and provide training.

¶ 17. (C) COMMENT: Chairman Khodjamukhamedov was clearly not inclined to tip Turkmengas' hand concerning its plans for development of the massive, challenging South Yolotan and neighboring gas fields. It appears plans are moving ahead, however, with the recent announcement that Gazprom will build a facility there to prepare gas for transport (Ref B). Also, notwithstanding Khodjamukhamedov's vagueness about the source of new gas for China, in reality the Turkmen must be scrambling to boost production by roughly 40 percent over current levels in order to meet that commitment. It's also possible that Khodjamukhamedov couldn't mention names of potential services firms because various suitors are still vying for obligatory presidential approval. In any event, he indicated no shift in Turkmen resistance to onshore production by Western IOCs. END COMMENT

¶ 18. (C) BIO NOTE: Baymurad Khodjamukhamedov was born on November 15, 1961 in Ashgabat. In 1984, he graduated from the Turkmenistan Polytechnic Institute, Oil and Gas Faculty with specialities in hydrogeology and engineering geology. From 1986-1991 he studied at the S. Ordzhonikidze Moscow Geology Institute, completing his dissertation and becoming a candidate of geology and mineralogy sciences. In 1991 he joined Turkmengeologiya as an acting senior scientist. In 1996 he joined the Turkmen-Russian Joint Stock Company "Turkmenrosgas" as a Chairman's Assistant. In 1997 he transferred to Turkmenneftegas as the Minister's Assistant, then was promoted to Head of Gas Export Department. In 2003 he was promoted to the Deputy Chairman of the National Clearing Centre under the Cabinet of Ministers. In 2005 he

was appointed Head of Technical Department at Turkmengas. In 2007 he was appointed Head of Investment Management and State Analyses, Head of External Affairs and Marketing Department at the Ministry of Oil and Gas, then transferred to the position of Head of Supply Department at Turkmengas. In July 2007 he was appointed Minister of Oil and Gas. On August 27, 2008 Khodjamukhamedov was appointed to his current position as Chairman of the Turkmengas State Concern. He is married and has four children. END BIO NOTE.

MILES